

# EC109: Personal Financial Planning

Half-Block - January 2015  
Colorado College

---


**Jim Parco & Jean Cooley**  
[jim.parco@coloradocollege.edu](mailto:jim.parco@coloradocollege.edu)  
[jean.cooley@coloradocollege.edu](mailto:jean.cooley@coloradocollege.edu)  
719.389.6416  
Palmer 101-C


- Class location:** Olin 1 (the auditorium in the middle of “The Fishbowl”)
- Class dates:** Monday, January 5 through Thursday, January 15, 2015
- Meeting times:** 9:00am-12:15pm (Daily, except Sat and Sun)  
Afternoon/evening lab sessions and mentor meetings
- Tutorial Lab:** To be held in Palmer 118 from 5pm-7pm on Day 1 through Day 8
- Office Hours:** We can meet most anytime in the afternoon, by appointment only.  
Time is money.
- 


## DEPARTMENT OF ECONOMICS AND BUSINESS MISSION STATEMENT


We engage exceptional students  
who think critically, analytically and creatively,  
with intellectual competence and confidence,  
by leveraging the advantages of the Block Plan  
and drawing on the art and science of the discipline,  
at home and abroad,  
for now and for life.

Our students can:

 **COMMUNICATE EFFECTIVELY**  
**Write effectively\***  
Speak and present effectively  
Use the language of economics and business accurately and persuasively

 **ANALYZE DATA**  
Interpret evidence in a reason-based approach  
Generate insightful analysis in a theoretical context

 **WORK INDEPENDENTLY**  
**Demonstrate initiative and perseverance\***  
**Manage projects effectively\***

 **FRAME AND RESOLVE ILL-DEFINED PROBLEMS**  
**Apply relevant knowledge creatively\***  
Appreciate the complexity of multiple perspectives

NOTE: This course specifically targets the goals above annotated in **bold** with an asterisk (\*).

---

## **COURSE DESCRIPTION:**

The study of the development and implementation of a personal financial and investment program. Includes analysis of budgeting and tax planning, managing liquidity, financing large purchases, protecting assets and income, analyzing investment information, examining alternative investment types, and investing money for retirement. This course has no upper enrollment cap and can only be taken as a pass/fail course.

**Prerequisites:** None.

**Credit:** 0.5 unit for successful completion of the course.

**PURPOSE:** The purpose of this course is to provide undergraduate students with the essential personal finance and investing skills necessary to be financially responsible citizens.

**COURSE OBJECTIVES:** Specifically, in each of the following areas, students should become familiar with and understand the:

### **Budgeting, Credit, Taxes and Insurance**

- role and importance of the budgeting process
- importance of a credit score and credit report
- costs and benefits of consumer credit cards
- nature and implementation of student loans
- basic financial accounts (savings vs. money market mutual fund - MMMF)
- basics of insurance (protecting wealth and income)
- basics of personal income taxes (+ Interest/Div)

### **Personal Investing Essentials**

- concept of the time value of money (TVM)
- various asset classes
- risk vs. return trade-off
- concept of diversification
- role and importance of asset allocation
- components of a mutual fund
- complexity and impact of fund expenses and fees
- spectrum of mutual fund investment objectives
- dollar cost averaging

### **Retirement Planning**

- defined contribution versus defined benefit programs
- Individual Retirement Accounts (IRAs)
- Tax-deferred savings accounts (401(k) and 403(b))

---

## **TEXTS AND MATERIALS**

### **(1) COURSE TEXTBOOK**

Personal Finance: Turning Money into Wealth (6th edition)

by Arthur Keown

ISBN: 978-0132719162

Note: Although we will “officially” be using the 6th edition of the book, you are free to use any previous edition you can find. A quick search on <http://www.abebooks.com>, the largest used book-reseller in the world, has hundreds of copies of the text available in earlier editions, many for \$1.00. Naturally, the more recent editions will be closer in content (but a bit more expensive), but older editions work pretty well too. Life's about choices...choose wisely.

(2) AUXILIARY TEXT

A Random Walk Down Wall Street (10th edition)  
by Burton Malkiel  
ISBN: 0393340740

(3) CALCULATOR

We STRONGLY suggest using a financial calculator for the course. There are many out there, but the “gold standard” is the Texas Instruments BA-II Plus. It's the official calculator for the CFP and CFA exams. The TI-BAII+ app on the iTunes store for my iPhone and iPad is about \$16, and it is as good as the \$40 calculator which you can get at the CC Bookstore.

---

## COURSE ADMINISTRATION

**Class meeting time and location:** All class meetings will be in the assigned classroom (see first page for room number). We will meet from 9:00am to approximately 12:15pm daily throughout the course unless otherwise stated.

**Performance evaluation:** Grades will be assigned on the basis of your performance on the following evaluation vehicles: Your grade in this course will consist of:

CANVAS homework assignments (5% each)	45%
Exam (Day 9)	20%
<u>Final Project (Day 9)</u>	<u>35%</u>
<b>Total</b>	<b>100%</b>

To pass the course, you must achieve at least a 75% average across all graded areas.

**General class expectations:** It is our expectation that you will come to class each day having read the material assigned for that day in advance of the class meeting and completed any assigned homework. This will facilitate both your understanding and our class discussion of the material. Assignments are typically due at 10pm of the listed due date (to be turned in via CANVAS). Late assignments will not be accepted except in cases of illness or prior arrangement with the instructor(s). Failure to attend class will result in failing the class.

*The difference between desire and commitment is profound.  
It's the difference between being in the game or watching it from the stands.*

**CANVAS Homework Assignments (5% each):** Forty-five percent of your course grade will come from class participation assignments posted on CANVAS. Assignments will be graded primarily based on timely submission and the level of effort put forth. Getting the correct answers is far less important than genuinely attempting to work all of the problems. Any daily assignments must be uploaded to CANVAS by 10pm on the listed due date. Late assignments will not receive any credit once grading for that assignment is complete. You are strongly encouraged to work in groups, but everyone must turn in

his/her own work (please do not submit “group answers.”) Remember, this is a pass/fail graded course. The most important aspect is that you fully understand the concepts, so please, do your own work. You won’t fail the class for getting the “wrong answers.” And by the way, have fun with this!

**Daily Tutorial Lab:** This course has no upper limit on enrollment. The college believes personal financial planning to be so important for each and every student, we have found a way to make it accessible to all and included as part of your normal CC tuition (for enrolled full-time students). However, we also recognize that with a large class (numbering 75+ students the past two years), it’s equally necessary to provide each student access to a variety of tutorial resources outside of normal faculty office hours. Thus, the college has provided us ample resources to staff an evening tutorial lab. The lab will be held in every night during the course from **5pm-7pm** and staffed by 1-2 former EC109 students to help you with your homework, project or general personal financial planning questions. The lab will be staffed from **Monday, January 5th through Wednesday, January 14th**. Attendance will be kept and extra course credit will be considered for any student who has attended at least three sessions. The location of the lab is posted on the front page of this syllabus.

**Mentor Program:** In addition to the evening Tutorial Lab, every student will be assigned a mentor who is also a former EC109 graduate. All students will meet with his or her mentor after class on Day 1 of the course (be on the look out for an email from your assigned mentor), and after that, as much or as little as you feel necessary. The purpose of this program is to provide you with a dedicated resource of someone to bounce ideas off, ask questions and help you in the construction of your personal financial plan. For any questions, your mentor should be your first point of contact. At the conclusion of the course, all mentors will be asked to make a report of all their student meetings. Again, like attendance at the Tutorial Lab, mentor contact will be considered for extra credit towards the course, if necessary.

Mentors are being assigned through CANVAS. You can contact your mentor through the CANVAS system, or you can email them at their CC address noted below:

Haley Parco <[Haley.Parco@ColoradoCollege.edu](mailto:Haley.Parco@ColoradoCollege.edu)>  
Benedict Au <[Benedict.Au@ColoradoCollege.edu](mailto:Benedict.Au@ColoradoCollege.edu)>  
Anubrat Prasai <[Anubrat.Prasai@ColoradoCollege.edu](mailto:Anubrat.Prasai@ColoradoCollege.edu)>  
Philip Ward <[Philip.Ward@ColoradoCollege.edu](mailto:Philip.Ward@ColoradoCollege.edu)>  
Jenny Wool <[Jenny.L.Wool@ColoradoCollege.edu](mailto:Jenny.L.Wool@ColoradoCollege.edu)>

**Exam:** The exam is scheduled for the final day of class (Day 9). It will be comprehensive and principally based upon the course readings and homework, and will consist of two parts. During Part I, each student will take the exam by themselves. This part of the exam will be closed book, closed notes. However, you will be permitted to use a single 3”x5” standard notecard during the exam subject to the following constraints:

- (1) You may handwrite anything on the front and back of your card.
- (2) The card must have your name legibly written in the top corner. (A standard piece of paper may be trimmed to 3”x5” and substituted for a notecard if one isn’t otherwise available.)
- (3) You may collaborate with other students in developing your respective card, but each student must produce his or her own.
- (4) Cards may not be mechanically created or reproduced (e.g. photocopied, computer printed).
- (5) You may not share notecards once the exam begins.
- (6) Each notecard must be turned in with the exam

During Part II of the exam, students can collaborate within anyone in class that they wish (work with one other person, or the entire class). Each self-organized group will complete a single exam. This part of the exam will be unrestricted (open book, open notes). Your final exam grade will be a weighted average of Parts I and II (80% for Part I, 20% for Part II).

**Final Project (35%):** This project involves the development of your individual financial plan and constitutes 35% of your grade in this course. While you may use nominal values to complete the project, the more relevant you make this, the more value the project will have for you. Personal information may be included with appropriate information redacted as appropriate. After all, it's your money... life's about choices.

Your project is to be electronically uploaded to CANVAS by the start of class on the final day (Day 9) no later than 9am. Late turn-ins will not be accepted, and you cannot pass the course without submitting a project.

Please format your project into a single document, broken down into the following sections. Be sure to include a title page with your name on it.

### SECTION 1: Your Financial State

#### *Your Vision*

Include the one-page assignment from Day 1 that addressed the following questions:

- What are your goals in life (i.e., love, career success, family, financial security, adventure, etc.)?
- How are you likely to approach the trade-offs among your goals (i.e., career success versus time with family)?
- What are your material "needs" and "wants?"
- What is the "currency" or "currencies" by which you will evaluate your success in life -- money, wealth, material possessions, career successes, family, love, making a difference?

#### *Where are you?*

Identify in as much detail as you feel comfortable as to what is your financial situation today.

- How much savings, investment, credit card debt, car, other assets, other liabilities do you have?
- Are you comfortable at where you are?
- What is your current net worth? Is it positive or negative?
- What do you see in your future that will affect your situation for the good or bad?
- Construct a pie chart of your major assets (cash, investments, real property—all the things you own) and your liabilities (loans, credit card debt—all the things you owe).

*Assumptions.* In order to make this truly worthwhile, you will need to make some assumptions about what your near-term future holds. Some items to consider:

- Where do you plan to be immediately after graduation?
- Do you plan on getting married or having dependents?
- Will you rent or buy?
- Will you share living expense with a roommate?

(Note that this is only a partial list to get you thinking, not merely a list of questions to answer. Again, **the more detailed you make your plan, the more benefit this exercise will prepare you for life beyond CC.**)

### SECTION 2: The Budget

### *Proposed Budget.*

Provide a detailed monthly budget in a table format (suggest using Excel). Be as specific as possible. You will need to support each element of income and expense. For example, provide documentation for an apartment lease, estimates of utilities costs, etc. Obtain an insurance quote for both your auto and renters/homeowners policy for your assumed first job location and include a hard copy of each in your project. Following the development of your budget, discuss how much money you will have “left over” and what you plan to do with it. Also include a list of “one-time” expenses you will likely need to incur when you move into your first house/apartment.

## SECTION 3: Debt Analysis

Unfortunately, many students are encumbered with relatively large amounts of debt while attending college. Are you one of them, and if so, have you thought about why it makes sense for you to assume large amounts of debt? For this part of the project, you need to evaluate your current level of planned indebtedness.

### *Loans*

If you have already taken a student or consumer loan (or plan to within your remaining time as a student), you need to discuss your reason(s) for taking a loan. Specifically identify:

- How you determined how much of a loan you required
- The amount of the loan (or planned loan)
- The terms of the loan (must include at a minimum the principal, interest rate, duration, monthly payment, repayment terms, default terms)
- What you used (or plan to use) the loan to finance
- An amortization schedule for the entire loan that you construct in Excel.

**In the event you did not take (or do not plan to take a starter loan while at CC), discuss your reasoning and justify why doing so makes sense for you.** For purposes of computing an amortization schedule for part (i) above, assume you are taking a \$10,000 loan to pay for some expense at a rate of 6% for 5 years.

### *Other Consumer Debt*

Discuss your use of consumer debt.

- Do you have credit card(s)?
- What is your credit limit(s)?
- How does your credit card company compute your interest?
- What is your interest rate?
- Do you carry a balance? If so, typically how much?
- How is your minimum payment computed?
- How much interest do you pay each year?

### *Credit Card Analysis*

Assume that you maxed your credit card and made only the minimum payment without making any more charges. How long would it take for you to pay off your balance? Show all of your work.

In the event you do not have a credit card, evaluate three potential credit card offers and compare them identifying what you believe to be the “best deal” for the type of credit user for which you see yourself.

## SECTION 4: Personal Credit Analysis

### *Credit Score and Credit Report*

Obtain your **credit report** and **credit (FICO or similar) score**. Note that although there are several avenues to get it via mail, Internet or phone, calling 1-877-SCORE-11 is a fee-based option to receive your Equifax score (see [www.myfico.com](http://www.myfico.com) for more information.) Visiting <http://www.creditkarma.com> is another free option (not clear it is an actual FICO score, but similar, nevertheless).

--Describe how you obtained your credit score and how much it cost you.

--Compare your credit score to published scales of creditworthiness (Money Magazine, WSJ, Internet, etc).

--In evaluating your credit report, does anything stand out? Are there any errors?

--Discuss your overall findings.

--Include copies of BOTH your credit score AND your credit report.

In the event you are not successful in obtaining your credit report, write a paragraph or two articulating what a credit report is, what information it typically contains, who the three major credit reporting agencies are, what a credit score is and why it is important (what a good and bad score can do to you).

### SECTION 5: Insurance Analysis

#### *Property and Casualty*

Discuss your personal property and liability insurance needs. Consider your car, dorm room, assets you own, and what will change when you graduate. Tell us what you have now (might need to talk to your parents) and then tell us what you will need when you graduate from CC. Discuss your specific coverages as well as your deductibles and premiums. Be sure to include the monthly policy premiums in your budget in Part 2.

#### *Life*

Discuss what you think makes the most sense for you in terms of life insurance. Consider permanent (whole life and universal) and term policies. Tell us what you will need and why. When will you start the policy and how long will you keep it? Discuss your specific coverages as well as your deductibles and premiums. Be sure to include the monthly policy premiums in your budget in Part 2.

### SECTION 6: Retirement Plan

(1) If you already have an IRA, describe it.

--Is it a Roth or Traditional IRA?

--Why did you choose what you did?

--Is your monthly payment included as an “expense” to “pay yourself first” as part of your budget?

--What is your IRA invested in and why did you go with the company (and presuming it is a mutual fund), the fund that you chose?

(2) If you do not already have an IRA, establish one. Include a prepared application as part of this section. It can be from any company of your choosing. Answer the same questions above.

### SECTION 7: Discussion and Summary

Finally, reflect on the entire project exercise.

--Has this project changed your thinking at all?

--Moving beyond the class, how will you use the knowledge in this class?

--Will you behave differently having taken EC109?

--Tell us also what we can do improve this class in the iterations to come.

### DAILY TOPICS AND READING ASSIGNMENTS

<u>Class</u>	<u>Day/Time</u>	<u>Topic</u>	<u>Reading</u>	<u>Notes</u>	<u>Homework</u>
1	Mon, Jan 5 9:00am-12:00pm	Budgeting & Money Management	Keown: Chs. 1-2		Bring to class a list of all current income and expenses
2	Tues, Jan 6 9:00am-12:00pm	Time Value of Money	Keown: Ch. 3		Order your credit report and credit score
3	Wed, Jan 7 9:00am-12:00pm	Cash, credit & loans	Keown: Chs. 5-7	<b>Guest: Jim Swanson</b>	Bring in your credit card or loan statement
4	Thurs, Jan 8 9:00am-12:00pm	Cars and Homes	Keown: Ch.8		Bring in your car payment statement
5	Fri, Jan 9 9:00am-12:00pm	Insurance	Keown: Chs. 9-10	<b>Guest: Erica Szymankowski</b>	Get renters and auto quotes/policies
6	Mon, Jan 12 9:00am-12:00pm	Taxes	Keown: Ch.4	<b>Guest: Jordan Empey</b>	Bring an IRS Form 1040EZ to class - get from <a href="http://www.irs.gov">www.irs.gov</a>
7	Tues, Jan 13 9:00am-12:00pm	Retirement Planning	Keown: Ch. 16 Malkiel: 12-15 (Pt IV)	<b>Guest: Joe Suhajda</b>	
8	Wed, Jan 14 9:00am-12:00pm	Mutual Funds & IRAs	Keown: Chs. 11-15 Malkiel: Chs. 1-4 (Pt I)		Set up your Roth IRA (print forms and bring to class)
9	Thurs, Jan 15 9:00am-12:00pm	Exam Course Summary		<b>FINAL PROJECT DUE</b>	

### MISCELLANEOUS COURSE POLICIES

**Honor Code:** It should go without saying that the Honor Code firmly applies to all activities within this course. The only way in which we can all grow as scholars is to rely on each other's integrity and responsible behavior. Please help each other to preserve the strength of the Honor Code. If you are



uncertain about whether your behavior conforms, ask. The general rule is simple: always cite your sources. On the written exam, no outside sources are permitted. For homework and other projects that involve research beforehand, all sources are permitted with appropriate attribution.

The Honor System encompasses the student body, the Honor Council, and the Honor Code to form an essential part of the academic program at Colorado College. Its purpose is to help recognize each student's maturity and individual ability. Accordingly, the Honor System provides an atmosphere of mutual trust that contributes to students' personal growth and academic development. The spirit of this constitution and the principles it embodies are intended to provide a foundation for a personal ethical code that will continue long after graduation from Colorado College.

Every Colorado College student is responsible for obtaining a working knowledge of all rules and regulations of the Honor System and for understanding this constitution and other materials describing the Honor System. Also, the student is obliged to know how the principles apply in each class. Ignorance of the principles embodied in this constitution and of the way in which they apply in a particular class will be no excuse for a violation of the Honor System.

### General Guidelines

THESE GENERAL GUIDELINES ARE ONLY A BRIEF SUMMARY OF THE HONOR SYSTEM. EVERY STUDENT IS EXPECTED TO BECOME FAMILIAR WITH THE DETAILS OF THE CONSTITUTION, WHICH FOLLOWS THESE GENERAL GUIDELINES.

1. The Honor System applies to all work done for credit — exams, papers, laboratory reports, daily assignments, and any other assigned work. Unless the professor specifically states otherwise, work done on all tests and assignments shall be entirely the student's own.
2. In papers, direct quotations must be acknowledged by quotes and footnotes. Ideas or paraphrasing taken from outside sources (including course textbooks) must be properly acknowledged, unless the professor specifically states otherwise. In oral reports, verbal acknowledgment of sources is usually sufficient.
3. Exams must be taken at the place and within the time limits designated by the professor. Except as otherwise stated in this constitution, each professor has the right to set such exam and term paper guidelines as the professor deems appropriate.
4. A student's work may not be submitted for simultaneous credit in two different classes without the explicit permission of both professors. Replication of one's own earlier work may be submitted for subsequent credit only with the explicit permission of the professor to whom the work is now being submitted.
5. An attempt to violate the Honor System, which is not completed because the student is observed in the attempt, will be considered a full violation.
6. A student or professor reporting a suspected violation will remain anonymous to everyone except the Honor Council. If the case is appealed, the identity of the accuser will also be revealed to an appeal board consisting of five (5) randomly selected students pledged to confidentiality.

By posting any assignment to CANVAS for this course, you are acknowledging that, on your honor, you have neither given nor received any unauthorized aid on the respective graded assignment.

**Disabilities:** If you have a disability and require accommodations for this course, please speak with the professor privately as soon as possible so that your needs may be appropriately met. If you have not already done so, you will need to register with Accommodations Services in the Learning Commons at Tutt Library (Rm 152, 227-8285). This is the CC office responsible for coordinating accommodations and services for students with disabilities.

**Final Note:** This class is scheduled to meet regularly (read: daily) through Thursday, Jan 16th at noon. Please don't ask permission to miss class or leave early. Life is about choices, and choices have consequences. Since both the choices and consequences are exclusively yours, it is only a decision you can make. Generally speaking, missing a single class will likely put you at a severe disadvantage in terms of the final exam, and missing more than two classes has the potential to move you from a passing grade to a failing one.

*There are two eight-hour workdays in every 24-hour period with eight hours for sleep.  
Lack of time is never an excuse, and almost anyone will believe it.*